

SB

BOY

# HOUSE COMMITTEE REPORT

File

(11)

Date Referred: May 2, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/4/90

The FINANCE Committee considered:

SB 307

SENATE BILL NO. 307

REPURCHASE FROM MUNI/FORECLOSED PROPERTY

"An Act relating to property foreclosed upon by a municipality."

RECOMMENDATIONS:

- [ ] be replaced with \_\_\_\_\_ [ ] the same title
- [ ] have attached amendment(s) [ ] a new title
- [  ] do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [ ] fiscal impact \_\_\_\_\_
- [  ] zero fiscal note REVENUE
- [ ] zero with analysis CFRA
- [ ] fiscal note(s) \_\_\_\_\_
- [ ] zero fiscal note(s) \_\_\_\_\_
- [ ] zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Donald J. Carson Carson  
Swackhammer Swackhammer  
Brown Brown  
Koponen Koponen  
Reger Reger

	Do Not Pass	No Rec	Amend
<u>Hoffman</u> Hoffman	<input checked="" type="checkbox"/>		
<u>Phillips</u> Phillips	<input checked="" type="checkbox"/>		

Donald J. Carson Carson  
 Chairman's Signature  
Hoffman Hoffman

1 IN THE SENATE

BY PEARCE

2

SENATE BILL NO. 307

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to property foreclosed upon by a  
7 municipality."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 29.45.470(a) is amended to read:

10 (a) The record owner at the time of tax foreclosure of property  
11 acquired by a municipality, or the assigns of that record owner, may,  
12 within 10 years and before the sale or contract of sale of the tax-  
13 foreclosed property by the municipality, repurchase the property. The  
14 municipality shall sell the property for the full amount applicable to  
15 the property under the judgment and decree plus

16 (1) [, WITH] interest not to exceed 15 percent a year from  
17 the date of entry of the judgment of foreclosure to the date of repur-  
18 chase;

19 (2) [,] delinquent taxes assessed and levied as though it  
20 had continued in private ownership;

21 (3) [, AND] costs of foreclosure and sale incurred by the  
22 municipality; and

23 (4) costs of maintaining and managing the property incurred  
24 by the municipality including insurance, repairs, association dues,  
25 and management fees, that exceed amounts received by the municipality  
26 for the use of the property.

27 \* Sec. 2. AS 29.45.480(b) is amended to read:

28 (b) If tax-foreclosed real property that has been held by a  
29 municipality for less than 10 years after the close of the redemption

1 period and never designated for a public purpose is sold at a tax-  
2 foreclosure sale, the former record owner is entitled to the portion  
3 of the proceeds of the sale that exceeds the amount of unpaid taxes,  
4 the amount equal to taxes that would have been assessed and levied  
5 after foreclosure if the property had continued in private ownership,  
6 penalty, interest, and costs to the municipality of foreclosing and  
7 selling the property, and costs to the municipality of maintaining and  
8 managing the property that exceed amounts received by the municipality  
9 for the use of the property. If the proceeds of the sale of tax-fore-  
10 closed property exceed the total of unpaid and delinquent taxes,  
11 penalty, interest, and costs, the municipality shall provide the  
12 former owner of the property written notice advising of the amount of  
13 the excess and the manner in which a claim for the balance of the  
14 proceeds may be submitted. Notice is sufficient under this subsection  
15 if mailed to the former record owner at the last address of record of  
16 the former record owner. On presentation of a proper claim, the  
17 municipality shall remit the excess to the former record owner. A  
18 claim for the excess filed after six months of the date of sale is  
19 forever barred.

20 \* Sec. 3. APPLICATION. The amendments made by secs. 1 and 2 of this  
21 Act apply to property that is foreclosed upon after the effective date of  
22 this Act.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Repurchase from Municipality of Foreclosed Property  
Sponsor: Pearce  
Requestor: Senate Community & Regional Affairs

Agency Affected: Department of Revenue  
BRU: Treasury  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: attach a separate page for analysis.

Fiscal year 1990 effect is zero.

Prepared By: Milt Barker MB  
Division: Treasury

Phone: 465-2350  
Date: February 16, 1990

Approved by Commissioner: \_\_\_\_\_  
Agency: Department of Revenue

Date: 2/16/90

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

## FISCAL NOTE

**REQUEST:** \_\_\_\_\_

Revision Date: \_\_\_\_\_  
 Title: "An Act relating to property fore-  
 closed upon by a municipality."  
 Sponsor: Senator Pearce  
 Requestor: \_\_\_\_\_

Agency Affected: Community & Regional Affairs  
 BRU: \_\_\_\_\_  
 Components: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

There is no fiscal effect for FY 90.

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750  
 Division: Municipal & Regional Assistance Date: 7-7-90  
 Approved by Commissioner: Carol Hill Date: 7-4-90  
 Agency: Community & Regional Affairs

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# Alaska State Legislature

3111 C Street, Suite 150  
Anchorage, Alaska 99503  
(907) 561-2038



*During Session:*  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-4993

**Senator Drue Pearce**  
District G

SB 307

## Sponsor Statement

May 2, 1990

Over the past few years municipal economies have been negatively impacted by reduced revenues, and reductions in population have magnified problems related to property foreclosure. Typically, municipalities must foreclose on properties which are less desirable and therefore more difficult to sell. These properties are often in need of repair before they can be marketed. These problems and the glut of available property on the market can result in an extended holding period, thereby increasing property maintenance and management costs to the municipalities.

Current statutes provide that the record owner of tax foreclosed property may repurchase the property for ten years after foreclosure, if the property is not otherwise sold. In order to redeem, the previous owner must pay the municipality the full amount of the judgment, together with interest computed from the date of the entry of judgment to the date of repurchase at a rate

not to exceed 15% per annum. He must also pay delinquent taxes assessed as though the property had remained in private ownership, and the costs of foreclosure and sale.

SB 307 adds the costs of management and maintenance to the sale price of the property and allows the municipality to recover them to the extent that they exceed income received by the municipality for the use of the property during the holding period.

This Bill, which passed the Senate by an 18/0 vote, was originally requested by the Municipality of Anchorage and has the support of the Alaska Municipal League.

DP:pc

# Alaska State Legislature

3111 C Street, Suite 150  
Anchorage, Alaska 99503  
(907) 561-2038



During Session:  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-4993

**Senator Drue Pearce**  
District G

## MEMORANDUM

**TO:** Representative Lyman F. Hoffman, Co-Chair  
Representative Ronald L. "Ron" Larson, Co-Chair  
House Finance Committee

**FROM:** Drue Pearce *Drue Pearce*

**RE:** Scheduling request for SB 307

**DATE:** May 2, 1990

SB 307 provides that upon repurchase by a prior owner of tax foreclosed property, a municipality may recover the costs associated with maintaining and managing the property during the redemption period from the proceeds of the sale. This bill passed out of House Community & Regional Affairs Committee on May 5, 1990.

The recovery of these costs by the municipalities upon the sale of the property will eliminate the need for the municipalities to pay them from other locally collected revenue.

Please include this bill for scheduling in House Finance Committee. A sponsor statement and other information pertinent to the legislation is attached. Thank you for your courtesy in this matter.

DP:pc

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

February 14, 1990

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 38TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

POSITION PAPER

RE: Senate Bill 307

SPONSOR: Senator Drue Pearce

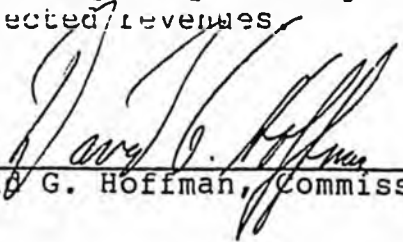
Program Effects

Senate Bill 307 provides for reimbursement to municipalities for certain costs incurred as a result of maintaining and managing property which has been foreclosed on because of non-payment of local property taxes. The bill adds to the existing list of costs those expenditures by a municipality for insurance, repairs, association dues (condominium), and management fees.

Comments

Over the past few years, as municipal economies have been negatively impacted by reduced revenues, the subsequent reductions in populations have magnified problems related to property foreclosure. Municipalities typically must foreclose on properties which are less desirable and, therefore difficult to sell. Those types of property are likely to be in need of costly repair before they can be marketed. These problems, combined with a glut of available property on the market, cause the holding period to be extended, thereby increasing the costs to municipalities for maintenance and management of the properties.

The department supports the passage of SB 307. The bill provides for fair and reasonable reimbursement of maintenance and management expenses, and only to the extent that those expenses exceed any income to the municipality through rental or other payments made during the holding period. The recovery of these costs through the sale of the property would eliminate the present necessity of the municipality having to pay the costs by using other locally-collected revenues.

  
\_\_\_\_\_  
David G. Hoffman, Commissioner

**Municipality  
of  
Anchorage**



P.O. BOX 196650  
ANCHORAGE, ALASKA 99519-6650  
(907) 343-4433  
TOM FINK,  
MAYOR

OFFICE OF THE MUNICIPAL MANAGER

April 6, 1990

Senator Drue Pearce  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, AK 99811

Re: Senate Bill No. 307, an act relating to property foreclosed upon by a municipality

Dear Senator Pearce:

The Municipality of Anchorage strongly endorses SB 307.

The language in the existing tax-foreclosure legislation allows the Municipality to recover costs associated with preparing tax-foreclosed properties for tax-foreclosure sales. SB 307 provides a means to recover expenses incurred by the Municipality in property management and maintenance costs, upkeep, code compliance, lease management, etc., of tax-foreclosed properties when the properties are not sold or designated for a public purpose, but held for an indefinite period and eventually reclaimed by the former owner of record. The recovery of these expenses is important, especially when considering our diminishing budget.

The Municipality of Anchorage supports this legislation and will urge other municipalities to support bill.

If you have any questions, please contact Ken Lythgoe, Director of Property & Facility Management at 786-8114.

Sincerely,

  
Larry D. Crawford  
Municipal Manager

0237n

**MUNICIPALITY OF ANCHORAGE**

**1989 LEGISLATIVE PROGRAM**

**TITLE:** Holding Costs on Foreclosed Property A.S. 29.45.480(a)&(b)

**SPECIAL LEGISLATION REQUEST:**

Amend A.S. Sec. 29.45.470(a) by adding after "costs of foreclosure and sale" the following: "...and holding costs including insurance, maintenance and repair, association dues, reasonable management fees and such other costs that a prudent property owner would incur.

Likewise, amend A.S. Sec. 29.45.480(b) -by adding the same phrase as above to the first sentence. Also add the words "and holding costs" to sentence two after the words "interest and costs".

**BACKGROUND/JUSTIFICATION:**

The current statutes provide that the previous owner may repurchase a tax foreclosed property for 10 years after foreclosure but before the property is sold. To do so, he must pay the full amount applicable to the property under the judgment and decree, with interest not to exceed 15 percent a year from the date of entry of the judgment of foreclosure to the date of repurchase, and delinquent taxes assessed and levied as though it had continued in private ownership, and costs of foreclosure and sale. In addition, if the municipality sells the property during the 10 year period, the previous owner is entitled to the proceeds beyond the costs mentioned above. No provision is made for the Municipality to recover "holding costs".

**STAFF CONTACT:** Bob Nelson, Chief Fiscal Officer, 343-6610



SB 307  
FNSB

By: Hank Hove  
Introduced: 03/08/90  
Adopted: 03/08/90

RESOLUTION NO. 90-029

A RESOLUTION URGING PASSAGE OF SENATE BILL 307 RELATING TO  
PROPERTY FORECLOSED UPON BY A MUNICIPALITY

WHEREAS, if a municipality forecloses on property when costs such as management fees, association dues or rent is due, there are no provisions for a municipality to recover those costs; and

WHEREAS, if repair is necessary on a foreclosed piece of property or if there exists a hazardous situation on foreclosed property which a municipality is responsible for, there are no provisions for recovering those costs; and

WHEREAS, Senate Bill 307 provides that a municipality may recover expenses for insurance, repairs, maintenance costs, association dues, and management fees that exceed amounts received by the municipality for use of the facility.

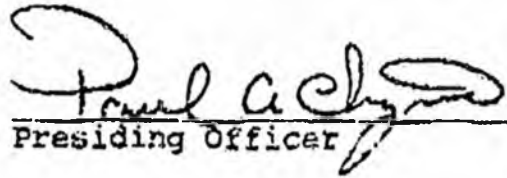
NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly urges the passage of Senate Bill 307.

BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the Honorable Steve Cowper, Governor, State of Alaska, Larry Merculieff, Commissioner, Department of Commerce and Economic Development, David Hoffman, Commissioner, Department of Community and Regional Affairs, the Honorable Mike Szymanski, Chairman, Senate Community and Regional Affairs Committee, the Honorable Richard "Dick" Eliason, Chairman Senate Labor and Commerce Committee, and all members of the Interior Delegation


MAR 12 '90 15:46 LINDA ANDERSON  
MAR 12 '90 14:00 THIS CLERK'S OFFICE/ASSEMBLY

P. 1

PASSED AND APPROVED THIS 8TH DAY OF MARCH, 1990.

  
Presiding Officer

ATTEST:

  
Clerk of the Assembly